S243-7.

Calendar No. 666

99TH CONGRESS *2d Session*	SENATE	REPORT 99–314

HOUSING ACT OF 1986

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 2507

together with

ADDITIONAL VIEWS

MAY 29, 1986.—Ordered to be printed

Filed under authority of the order of the Senate of May 21 (legislative day, May 19), 1986

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Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 2507]

The Committee on Banking, Housing, and Urban Affairs, having considered the same, reports favorably a Committee bill (S. 2507) to amend the Housing and Community Development Act of 1974; to extend certain housing assistance and mortgage insurance programs; and for other purposes, and recommends that the bill do pass.

LEGISLATIVE HISTORY OF THE ACT

The Committee on Banking, Housing, and Urban Affairs has reported favorably the Housing Act of 1986. The full Committee met on May 21, 1986, to mark up the legislation and ordered the bill favorably reported by voice vote. The Housing Act of 1986 consists of six titles.

Work on this legislation began in the Subcommittee on Housing and Urban Affairs, with a series for three hearings held in March and April 1985, chaired by Mr. Hecht. Numerous witnesses testified on all areas of housing, community development, and mass transit. Witnesses included State and local elected officials, and spokespersons for various interest groups. Additionally, Samuel Pierce, Secretary of the Department of Housing and Urban Devel-

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opment, and David Stockman, Director of the Office of Management and Budget, presented the views of the administration.

Many of the provisions of this bill were considered by Committee members who were conferees on the consolidated Omnibus Budget Reconciliation Act of 1985. That conference committee decided to only agree on the four specific items necessary to meet the reconciliation savings required from programs in the jurisdiction of the Banking, Housing, and Urban Affairs Committee.

DESCRIPTION OF THE LEGISLATION

The Committee has firm convictions that Federal housing policy and programs should support and stimulate housing in the private sector to help Americans purchase their own home and should also maintain a significant commitment of housing assistance for needy families. Under the severe pressures of the budget deficit, the level of new assistance for housing subsidies was reduced by nearly 60 percent in fiscal year 1981. The Committee believes that it is now time to maintain a steady course and not impose any further disruptions to Federal supports for housing. The legislation reported by the Committee, thus, is limited to: (1) establishing an authorization for appropriations; (2) making necessary changes to current program; (3) creating limited new initiatives for the homeless, inner-city homebuyers, and fair housing enforcement; and (4) preserving the current structure of several programs which have faced proposals for additional fees which would be counterproductive.

Title I, Program Extensions and Amendments, limits premiums on Federal Housing Administration loans, while fees that are not tied to actuarial soundness, nor for direct services in the secondary mortgage market, are prohibited. This is an effort to keep the cost of buying a home affordable and encourages continuance of the current resurgence in homebuying nationwide. Also, losses from HUD's mortgage insurance programs must be identified, reported, and conditions ameliorated within a specified time.

Necessary changes have made to the Urban Development Action Grant Program criteria in order to serve a broader range of communities nationwide. Additionally, various miscellaneous community programs are extended through fiscal year 1987.

Title II, Housing Assistance, seeks to make the best use of currently available housing assistance funds. While the Federal budget has been honed in this area, as in many others, this legislation intends to target appropriated funds to the most needy beneficiaries by providing additional rental rehabilitation moneys, special housing development for nonelderly handicapped families, and preserving low- and moderate-income availability in HUD projects. In an effort toward saving the taxpayer money, and providing local responsibility, the bill provides a new section on tenant management of public housing authorities and more stringent parameters in order to prevent fraud and abuse in HUD programs.

Title III, Rural Housing, in accordance with maximizing assistance to the most needy, and utilizing to the utmost, private sector involvement, the Committee has incorporated a conventional financing demonstration for rural single- and multi-family homes in an effort to relieve the Federal Government's burden in this area.

Additionally, included are amendments to current law regarding manufactured housing and placing in priority the eligible beneficiaries of these programs.

Title IV, Emergency Food and Shelter Act of 1986. Since 1983, Congress has provided, through appropriations, the Emergency Food and Shelter Program, designed to assist local homeless service providers. For the first time, this bill authorizes the Emergency Food and Shelters Program, with some modifications. Additionally, included are a program to assist the homeless in their transition to independent living, and a matching grant program for individual local needs.

Title V, Nehemiah Housing Opportunity Grants. As is the intention and spirit of much of this legislation, this bill seeks to promote private homeownership. HUD's Secretary would make grants to nonprofit corporations to issue noninterest bearing mortgage loans to median-area income families for the purchase of newly constructed or substantially rehabilitated homes. The maximum amount of any grant would be $15,000 per home.

Title VI, authorizes the Fair Housing Initiative Program. Events in recent years have precipitated the need for education of communities and real estate professionals in what constitutes illegal discrimination action and need for additional enforcement efforts under the Civil Rights Act. This section again promotes ownership of one's own home, but additionally ensures that one may purchase a home anywhere one chooses, and protects that right by law.

Section-by-Section Analysis and Explanation

Title I—Program Extensions and Amendments

Subtitle A—General extensions of programs FHA programs

Section 101—extends the following Federal Housing Administration Mortgage Insurance Programs under the National Housing Act through September 30, 1987: (1)

All title I insurance under section 2(a);

General mortgage insurance under section 217;

Low- and moderate-income housing insurance under section 221(f);

Coinsurance under sections 224(d) and 244(h);

Graduated payment and indexed mortgage insurance under section 245;

Reinsurance contracts under section 249(a);

Armed services housing insurance under sections 809(f) and 810(k) of the National Housing Act;

Land development insurance under section 1002(a); and

Group practice facilities insurance under section 1101(a).

Section 102—extends authority for the Rehabilitation Loan Program under section 312(h) of the National Housing Act through September 30, 1987.

(2) Section 103—extends authority for the following rural housing programs under the Housing Act of 1949 through September 30, 1987:

Rental Housing Loan authority under section 515(b); and

Mutual and self-help housing grant and loan authority under section 523(f).

Section 104—extends the following flood insurance programs under the National Flood Insurance Act of 1968:

(3) FLOOD INS.

General authority under section 1319;

Emergency implementation under section 1336(a);

Establishment of flood risk zones under section 1360(a)(2); and

Subsection (d) of the bill limits premium increases to no more than a prorated annual rate of 10 percent through September 30, 1987.

Section 105—provides miscellaneous extensions of the following provisions:

The limitation on interest rates of 9½ percent is extended indefinitely for the section 202 Elderly and Handicapped Housing Program; and

(4) The Home Mortgage Disclosure Act of 1975 is extended for another 5-year period through September 30, 1990.

Subtitle B—Mortgage Insurance and Secondary Mortgage Market Programs

Section 121—Limitation on Federal housing. The premium charges to insure standard, fixed-rate mortgages under FHA is limited to 3.8 percent of the principal obligation. Premiums for other FHA mortgages are limited to no more than 1 percent of the principal mortgage obligation. HUD is to notify Congress 90 days prior to any increase of fees which are allowed solely to meet anticipated insurance claims and administrative expenses.

Section 122—Adjustments to rental housing. Insurance limits. This section raised FHA multi-family mortgage limits by 30 percent for the 221(d)(3) and 221(d)(4) programs.

Section 123—Refinancing mortgage insurance for hospitals, nursing homes, intermediate care facilities, and board and care homes. As a condition to applying for FHA insurance to refinance a mortgage on a healthcare facility under the section 232 program, a State must do three things: (1) conduct their own study assessing the market-wide impact and necessity for an additional health facility in the area; (2) a second independent feasibility study must be prepared on the proposed facility under the guidelines of the American Institute of Certified Public Accountants; and (3) report to HUD on the results of both studies indicating the support and financial feasibility of the proposed project. HUD shall issue necessary regulations within 90 days after enactment. This condition is a substitute for the currently required certificate of need. The certificate of need process is not a requirement under medicare and medicaid and thus is no longer available in a growing number of States.

Section 124—Makes public nursing homes, intermediate care facilities and board and care homes eligible for section 232 insurance (currently limited to proprietary and private nonprofit institutions). Requires identical State report as in section 123.

Section 125—Requires State report for sections 232 and 242 hospital insurance as in above two sections.

Section 126—Release of pool funds. This section allows city and State housing authorities to utilize unexpended funds under section 236 to be used for any purpose permitted under this section, following agreements entered into between HUD and the city and State authorities.

Section 127—Increase in authority to insure. Authority for FHA to insure adjustable rate mortgages is increased from 10 to 40 percent of the previous year's volume of insurance. The percent limitation refers only to the maximum number of FHA ARM units that could be used during the fiscal year contingent upon market demand. This FHA ARM allowance does not assume a specific "set aside" of FHA insuring authority and does not limit, in any way, the number of FHA insuring authority and does not limit, in any way, the number of FHA fixed-rate mortgages and loans available or market use."

Section 128—Prohibition on user fees. This section prohibits imposition of user fees on Government-sponsored secondary mortgage market agencies, thus maintaining the current relationships between the Federal Government and the secondary mortgage market.

FNMA: The Federal Government may not charge any fee except those that Federal Reserve Banks now charge for acting as fiscal agents.

GNMA: Limits fees to 6 basis points on guaranty of securities backed by one to four family FHA or VA mortgages. Fees on other guarantees shall be no higher than needed for actuarial soundness. Fees for commitments or administrative expenses shall not be on an auction basis and shall remain at the levels in place on September 1, 1985, unless an increase is needed to cover administrative costs.

FHLMC: The United States may not charge any fees except those charged by the Federal Reserve Bank to act as fiscal agent.

Section 129—Mortgage Insurance Program loss reduction. This section requires the HUD Secretary to take appropriate administrative actions to reduce losses on mortgage insurance programs. Also, mortgagees and lenders must disclose to HUD the taxpayer identification numbers of borrowers under the act. Further, HUD must take precautions to affirm that the taxpayer identification numbers will be used only to enforce the requirements of this section. A report is required for mortgagees with an above normal rate of defaults and claims. The report must explain the present situation, a plan for corrective action, if applicable, and a time for completion of corrective action. HUD is to review annually the rate of early defaults.

Section 130—Hawaiian homelands and Indian lands. This section transfers programs for insurance of mortgages on Hawaiian homelands and Indian lands to the General Insurance Fund from the Mutual Mortgage Insurance Fund.

Section 131—FHA title I regulations. This section requires that the rule revising regulations under title I of the National Housing Act published on October 25, 1985, and effective on January 15, 1985, cease to be effective. The rule shall become effective once

again on January 1, 1987. In the interim, HUD shall reopen the rule for public comment and account for the comments received.

Subtitle C—Community and neighborhood development

Section 141 (a) and (b)—Grandfathering CDBG entitlements. This section phases out continued extensions or "grandfathering" of communities' entitlement status under the Community Block Grant Program. A metropolitan city or urban county which loses its entitlement classification after fiscal year 1986 retains that classification for 1 more year. In the second year its grant under the entitlement program would be cut by 50 percent. The remaining 50 percent would be added to the State's allocation for the small city Community Development Program. The city or county would also be eligible to receive funds from the State's program.

Section 141(c)—Due to their unique situation, the counties of Kauai, Maui, and Hawaii, in the State of Hawaii are to be considered as cities for determining eligibility under the UDAG Program.

Section 142—Urban Development Action Grant selection criteria. This section authorizes UDAG at "such sums as may be necessary" for fiscal year 1987. The selection criteria for awarding grants are modified so that: 65 percent of funds are awarded on the distress of city, economic impaction of city and on project quality; 35 percent of funds are awarded on project quality alone. Bonus points are awarded for cities that have not received a grant in over 2 years, and have had a qualifying grant proposal for over three funding rounds. GAO is required to submit a comprehensive UDAG report 6 months after enactment, and then every 3 years. This new project selection system is recommended by the Committee to achieve a more balanced distribution of grant awards given the reduced funding available for the program.

UDAG PROGRAMS

Section 143—Prohibition on business relocation. This section prohibits relocating a business from one UDAG eligible area to another, unless no adverse effect can be cited by the Secretary.

Section 144—Community Development Block Grants. This section extends Community Development Block Grants through fiscal year 1987 at "such sums as may be appropriated."

CDBG

Section 145—Urban homesteading. This section extends Urban Homesteading through fiscal year 1987 at "such sums as may be appropriated."

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Section 146—Rehabilitation loan fees. This section prohibits risk premiums or loan fees under the section 312 Rehabilitation Loan Program.

Section 147—Neighborhood Reinvestment Corporation. This section authorizes the Neighborhood Reinvestment Corporation through fiscal year 1987 at "such sums as may be necessary" and makes a technical adjustment to membership on the Corporation's Board of Directors.

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An initial investigation of the creation of a Neighborhood Revitilization Fund to be financed through the transfer of the section 312 Revolving Loan Fund assets to the neighborhood Reinvestment Corporation was undertaken in the context of discussions relating to drafting the Housing and Community Development Act of 1986.

The Committee encourages the Neighborhood Reinvestment Corporation to continue its work with potentially affected local govern-

ments to develop alternative approaches which would increase low-cost capital available to lower income neighborhoods through secondary market leveraging of section 312 fund revenues; as well as, continuing to consider block loans to local governments and nonprofit neighborhood revitalization entities.

Further, the Committee requests the Neighborhood Reinvestment Corporation to report its findings and conclusions as well as a detailed proposal, not later than April 15, 1987.

TITLE II—ASSISTED HOUSING

Section 201—extends the lower income housing authorization under section 5(c)(6) of the Housing Act of 1937 at such sums as may be approved in appropriation acts for fiscal years 1986 and 1987. Development funds authorized under section 5(c)(7) for Indian Housing may be reused if recaptured.

Section 202—amends section 8(b)91) of the Housing Act of 1937 to require 15 year terms for annual contributions contracts. Section 8(b) is amended to require, upon enactment, the payment of administrative and preliminary fees to be calculated according to the method and percentage established and in effect prior to January 1, 1985. Section 8(c)(1) is amended to require an annual adjustment of fair market rents with an effective date of October 1 of each year.

Section 203—amends section 17(a) of the Housing Act of 1937 to provide authorization for rental rehabilitation and development at such sums as may be necessary for fiscal years 1986 and 1987. Section 17(k)(4) is amended to allow eligibility for housing which is owned by State or locally chartered, neighborhood based nonprofit corporations. Section 17 is also amended to allow States to administer the rental rehabilitation program in areas which are eligible for the Farmers Home Program.

Section 204—is intended to prevent fraud and abuse in HUD programs requiring initial and periodic review of participant income. HUD could require participants to provide social security or employer identification numbers and consent forms in order to verify income and benefits to determine eligibility. Provisions are included to ensure privacy and to protect participants when inaccurate information is obtained.

Section 205—allows residents of public housing projects to form resident management corporations for the purpose of assuming the administrative and maintenance responsibilities of the projects in which they reside. Resident management corporations would be required to obtain fidelity bonding or equivalent protection and books and records would be audited annually. Excess revenues may be retained by the corporation and it is the intent of the Committee that these funds be used for the improvement of project maintenance and operation, and educational and employment programs.

Section 221—Management and preservation of HUD-owned multi-family housing projects. This section requires the HUD Secretary to manage and dispose of multi-family housing projects owned by, or in the possession of HUD, in a manner consistent with the National Housing Act in the least costly fashion, with the

goal to preserve units for low- and moderate-income tenants. In addition, pertinent terms under the section are defined.

Section 222—Acquisition of insured multi-family housing projects. In determining HUD's bid on insured projects, the Secretary must comply with the goals in the Housing and Community Development Amendments of 1978.

(6) Section 223—amends section 202 of the Housing and Community Development Amendments of 1978 to expand the circumstances when an opportunity for tenant comment is required on multi-family projects to include when HUD approves a transfer of physical assets, application for a capital improvement loan, and sale of a HUD-owned mortgage.

Section 224—prohibits owners of subsidized projects (as defined in Section 203(h)(2) of the Housing and Community Development Amendments of 1978) to discriminate against Voucher or Section 8 Certificate holders solely because of that person's status as a holder of a voucher or section 8 certificate.

(7) Section 225—extends authorization for housing for the elderly and handicapped under section 202 of the Housing Act of 1959 at such sums as approved in appropriation Acts for fiscal years 1986 and 1987. The interest rate for the remainder of fiscal year 1986 is to be 8 percent and thereafter determined by the Secretary according to the rate of recently issued 30-year Treasury bonds.

Section 226—revises the statute governing the section 202 program of direct loans to ensure that the program meets the special housing and related needs of non-elderly handicapped persons. HUD is directed to develop and implement processing procedures which are appropriate for the nature and size of small group homes and/or independent living complexes. In addition, at least 15 percent of the total annual appropriation for development under the section 202 program would be allocated for housing for the nonelderly handicapped.

In directing the Secretary to establish new and more appropriate policies and procedures for the handicapped projects, the Committee expects the Department to involve actively in the process current handicapped project sponsors, as well as field and regional office personnel, to assure that revised standards adequately address and correct those existing obstacles to efficient and appropriate project development. A group of active program sponsors should be established and consulted to assure a broad participation in the standard setting and cost containment guideline development process. In setting cost containment policies, HUD is directed to take into consideration the structural and design requirements necessary to meet the needs of the disabled as well as local community requirements. The use of a small number of prototype designs should be used on an experimental and voluntary basis. Project sponsors who do not use these designs should not be disadvantaged in the competition for funds.

The Section 8 subsidy mechanism would be replaced by a 20-year contract to cover actual, necessary, and reasonable costs that are not covered by project income. This subsidy would be based upon HUD's determination of what it would cost to build and operate specific projects after applying HUD cost containment policies ad-

justed with respect to design and amenities which recognize the special needs of handicapped persons.

The Secretary is instructed to issue policies detailing procedures that sponsors should follow to assure that appropriate Medicaid and Section 202 subsidy payments are established wnen a group home is certified as a vendor of ICF/MR services.

Applicants would be required to specify the range of services to be provided, how services are to be provided, and the availability of public and private funds to cover the cost of services.

Section 227—clarifies Section 235(h)(1) of the National Housing Act to allow the continued commitment of funds previously appropriated for the 235 Homeownership program.

Section 228—extends authorization of Section 411(2)(6) of the Congregate Housing Services Act of 1978 through fiscal year 1987.

TITLE III—RURAL HOUSING AMENDMENTS

Section 301(a)—extends the insurance and guaranty authority for rural housing programs under Section 312(a)(1) of the Housing Act of 1949 through September 30, 1987. For fiscal year 1986, loans may be made in accordance with program levels established in Public Law 99-190, the general continuing appropriations resolution, as adjusted by the President's sequestration of funds under Section 252 of the Balanced Budget and Emergency Deficit Reduction Act of February 1, 1986 (Gramm-Rudman-Hollings automatic sequestraton was 4.3 percent). For fiscal year 1987, amounts will not exceed such sums as may be aproved in an appropriation Act.

Section 301(b)—amends Section 513(b) of the Housing Act of 1949 to provide authorization for appropriations of such sums as may be necessary for the following:

Rehabilitation grants under Section 504;

For correcting structural defects under Section 509(c);

To meet payments on notes or other obligations issued by the Secretary of Agriculture from the rural housing insurance fund under Section 511;

For financial assistance for domestic farm-labor housing under Section 516;

For self-help housing grants under Section 523(f);

For housing preservation grants under Section 533; and

For the Secretary of Agriculture to administer the provisions of Sections 235 and 236 of the National Housing Act of 1937.

Section 301(c)—amends section 513(c) of the Housing Act of 1949 to provide the authority for the Secretary of Agriculture, subject to the extent approved in appropriations Acts for fiscal years 1986 and 1987, to enter into rental assistance payment contracts under Section 521(a)(2)(A). Such authority as is approved in appropriation Acts shall be used by the Secretary first to renew expiring rental assistance payment contracts and then to make additional rental assistance payment contracts for existing or newly constructed dwelling units.

Section 302—amends section 520 of the Housing Act of 1949 by extending the grandfather date for rural area classification. No community classified as a rural area prior to the receipt of data from or after the 1980 decennial census and determined to be

"rural" or a "rural area" as a result of such data shall continue their eligibility for assistance through fiscal year 1987, if such area has a population in excess of 10,000 but not in excess of 20,000 persons.

Section 303—establishes a conventional financing demonstration program under the section 502, single-family rural housing program. Under this demonstration, the Secretary shall make interest subsidy payments to lenders to reduce the monthly costs of conventional mortgage loans for borrowers meeting all program eligibility requirements. The purpose of the demonstration is to determine whether conventional financing could, in some cases, replace direct financing by the federal government with the interest subsidy keeping the cost within the means of lower income homebuyers. The Committee notes that developments in the primary and secondary mortgage markets have generally made housing finance more readily available on a national basis. The demonstration is intended to use that broader national housing finance system while still helping lower-income rural families afford homeownership. The size of the demonstration program is limited to not more than 200 units in each of five separate geographic regions. Any funds that have been made available for use under this demonstration program and remain unobligated in the subsequent fiscal year shall be made available for any other purposes under the Section 502 program. Additionally, this same demonstration program can be used for the Section 515 multi-family program at the discretion of the Secretary of Agriculture.

Section 304—amends section 502(e) of the Housing Act of 1949 to require the Department of Agriculture to make or insure loans for manufactured homes or manufactured homes and lots for the same time period applicable under FHA in section 2 of the National Housing Act (currently 30 years). The Committee believes that manufactured housing for rural homebuyers. If this housing is to be affordable for low-income families, an extended amortization schedule must be provided to keep monthly mortgage payments low.

Section 305—amends section 502(a) of the Housing Act of 1949 to provide that single persons shall only be eligible for assistance under this program if they are elderly, handicapped, or paying 50 percent or more of income for his or her rent. This restriction will keep available rural housing funds directed to more needy families.

Section 306—amends section 502(d) of the Housing Act of 1949 to provide further clarification of the term "very low-income" families or persons. Standards set forth under the United States Housing Act of 1937 for those families and persons whose incomes do not exceed 50 per centum of the median income for all nonmetropolitan areas in that state will allow the Department of Agriculture to more fully implement the requirements of the law which states that no less than 40 percent of program funds and 30 percent of funds allocated to states shall be made available for very low-income families and persons. This provision in no way shall diminish the assistance to very low-income families and persons required under the law.

TITLE IV—EMERGENCY FOOD AND SHELTER PROVISIONS

Subtitle A—General provisions

Section 401—Short title. The short title of title IV is the "Emergency Food and Shelter Act of 1986."

Section 402—defines the following terms for the purposes of Title IV.

"Board" means the Emergency Food and Shelter Program National Board.

"Director" means the Director of the Federal Emergency Management Agency.

"Emergency Shelter" means a facility all or a part of which is used or designed to be used to provide temporary housing.

"Homeless" means families and individuals who are poor and have no access to either traditional or permanent housing.

"Local Government" means a unit of general purpose local government.

"Locality" means the geographical area within the jurisdiction of a local government.

"Private Non-Profit Organization" means a secular or religious organization described in Section 501(c) of the Internal Revenue Code of 1954 which is exempt from taxation under Subtitle A of such Code, and which has an accounting system and a voluntary board, and which practices nondiscrimination in the provision of assistance.

"Secretary" means the Secretary of Housing and Urban Development (HUD).

"State" means any of the several states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, or any territory or possession of the United States.

Section 403(a)—establishes an Emergency Food and Shelter Board. The Subsection provides that the program's agency home shall be the Department of Housing and Urban Development. In order to make the best use of the expertise and administrative competence developed by the Board during its four year tie to the Federal Emergency Management Agency (FEMA), however, the Subsection provides that the Secretary of HUD is to enter into an interagency agreement with FEMA for the purpose of constituting the Board and administering the Emergency Food and Shelter program.

Section 403(b)—establishes Board membership. Six members of the Board are to be appointed by the Secretary. The Secretary is to appoint one individual from each of the following organizations: The United Way of America, the Salvation Army, the National Council of Churches of Christ in the U.S.A., the National Conference of Catholic Charities, the Council of Jewish Federations, Inc., and the American Red Cross. These organizations have been a part of the Emergency Food and Shelter National Board since the Board's inception in 1983.

The subsection would expand federal agency representation on the National Board. Presently, only FEMA has a representative on the Board. In addition to a FEMA representative, the Board would be expanded to include representatives from the Departments of

Housing and Urban Development, Agriculture, and Health and Human Services. Each of these representatives is to serve on the Board in an ex officio capacity. The Committee believes that adding these additional federal agencies to the Board will promote a coordinated federal response to the problem of homelessness. The Committee encourages the Board to closely coordinate its activities with the Federal Interagency Task Force on Food and Shelter, chaired by the Secretary of Health and Human Services.

The subsection also provides that the Board will select one additional member from among individuals and organizations that are active in the provision of shelter, food and supportive services for the homeless.

Section 403(c)—provides that the Board will elect a Chair, Vice Chair, and any other necessary officials from among its members.

Section 403(d)—allows the Board to establish policies and procedures to carry out its activities.

Section 403(e)—is a sunset provision. The Board is to terminate its activities and cease to exist on October 1, 1991.

Section 404(a)—continues the local board system that has existed since the Emergency Food and Shelter Program's inception in 1983. Section 404(a) provides that localities designated by the Board will constitute local boards. Local boards will decide how program funds they receive from the Board are to be distributed. Membership on local boards will include, to the extent possible, representatives from the same organizations that made up the National Board.

Section 404(b)—sets down the local boards' responsibilities including deciding which local organizations will receive program funds, monitoring program recipients for program compliance, reallocating funds among service providers, ensuring proper reporting, and coordinating with other agencies working to solve the problem of homeless.

Section 405(a)—states that FEMA shall provide administrative support to the Board.

Section 405(b)—provides that FEMA's responsibilities include providing the services of legal counsel and inspector general, assigning clerical personnel to the Board on a temporary basis, and conducting annual audits of the Board.

Section 406(a)—provides for an annual independent audit of the Board. The results of the audit are to be included as part of the Board's annual report to Congress.

Section 406(b)—provides that those who receive assistance under this title must keep records of their operations and that the Board or its duly authorized representative shall have access to those records.

Section 406(c)—allows the Comptroller General to have access to the records of both the Board and recipients of assistance.

Section 407—Under this section, the Board is required to submit an annual report to Congress on its activities.

Subtitle B—Emergency Food and Shelter Grants

Section 411—requires the Secretary to award a grant to the Board in the full amount of appropriations made by Congress for the Emergency Food and Shelter Program. The award must be

made within 30 days of enactment of a law providing appropriations for this program.

Section 412—allows the Board to reallocate any interest accrued on the grants it receives. Given the proven efficiency of the Board in dispersing funds to local organizations dealing with the problems of homelessness, the Committee does not believe that there is a need to place the additional administrative burden on the Board of returning accrued interest to the Treasury. Section 412 also provides that administrative costs are to be measured based upon the total amount of funds available to the Board, including interest and any private contributions.

Section 412(a)—lists the activities that may be funded by the Board. The Board may use its grants to supplement and expand ongoing efforts to provide shelter, food and supportive services to the homeless; to promote cooperation between public and private sectors in dealing with the problem of homelessness; to serve as a repository of information on the problem of homelessness; to strengthen efforts to create more effective and innovative local programs for helping the homeless; and to conduct minimum rehabilitation on mass shelter or mass feeding facilities, but only to the extent necessary to make them safe, sanitary, and bring them into compliance with local building codes.

Section 412(b)—provides that funding can only be extended to nonprofit organizations and units of local government and that all programs funded must be consistent with the purposes of the Title. The Board may not carry out programs directly.

Section 414—The Committee recognizes that the Board has operated successfully over the past three years in great part due to the volunteer efforts of the organizations with membership on the Board. The Committee acknowledges that the cost of administering the Emergency Food and Shelter Program is much higher than the two percent allowance provided under the existing authorization, and Section 414 increases this cap to five percent.

Section 415(a)—requires the Board to establish written guidelines for carrying out Emergency Food and Shelter Program. Guidelines are to include: ways to identify localities with the greatest need for assistance; methods to determine the amount of assistance to be extended to each locality and how funding will be distributed; eligible program costs; and guidelines specifying the responsibilities of the Board, its recipients, and service providers.

Section 415(b)—requires the Board's guidelines to be published annually and, when modified, in the Federal Register. The Board, however, is not subject to the procedural rulemaking requirement of the Administrative Procedure Act.

Section 416(a)—provides $73 million authorization for the Emergency Food and Shelter Program in fiscal year 1987.

Section 416(b)—allows a carryover of unobligated funds between fiscal years.

Subtitle C—Transitional Housing Demonstration Program

Section 421—provides a list of definitions that are unique to the Transitional Housing Demonstration Program. For the purpose of this program the following terms are defined:

The term "homeless person" is limited to those capable of living independently within a reasonable amount of time. The Committee believes that this demonstration program should focus on homeless individuals who are capable of moving back into traditional housing within a reasonable period of time. The demonstration program should not be considered an attempt to place homeless Americans in new institutions.

The term "housing for homeless persons" means a structure suitable for the provision of housing and supportive services in an appropriate group setting. The Committee encourages the Secretary to place some demonstration projects in residential settings, and to explore the benefits of small group transitional housing programs.

The term "recipient" means any governmental or private nonprofit entity that is approved by the Secretary as to financial responsibility.

The term "operating costs" means expenses incurred by those operating under the demonstration program with respect to: (A) the administration, maintenance, repair and security of housing; (B) utilities, fuel, furnishings and equipment; (C) the cost of assessing the supportive services required by residents; and (D) the provision of supportive services to residents.

The term "supportive services" includes assistance in obtaining permanent housing, medical and psychological counseling and supervision, employment counseling, nutritional counseling and other services that the Secretary finds appropriate. Counseling includes helping residents obtain other types of government assistance.

Section 422(a)—requires the Secretary to establish a demonstration program to develop innovative approaches for providing transitional housing and supportive services to homeless persons. The demonstration is to focus on homeless persons capable of moving into traditional housing and independent living.

Section 422(b)—sets forth the purposes of the demonstration program. The program is to be designed to determine: the cost of obtaining existing structures for providing housing to homeless Americans; the cost of operating such housing and providing supportive services; and the social, financial, and other advantages of such housing and supportive services as a means of assisting homeless persons.

Section 423(a)—allows the Secretary to provide: a non-interest bearing advance in an amount not to exceed $200,000 for the cost of obtaining and/or rehabilitating an existing structure; annual payments for the operating costs of the housing in an amount not to exceed 75 percent of the annual operating costs; and technical assistance.

Section 423(b)—provides that advances made under this section do not have to be repaid: if the structure is used as housing for homeless persons for ten or more years; or if the Secretary finds that there is no longer a need for some other charitable purpose for the remainder of the ten-year period. If these waiver conditions are not met, the applicant must repay the advance on terms prescribed by the Secretary.

Section 424(a)—provides that the Secretary shall establish the form and procedure for applying to take part in the demonstration program.

Section 424(b)—sets forth the criteria the Secretary is to use in selecting applicants. These criteria include: the ability of the applicant to provide housing and supportive services to homeless persons; the innovative qualities of the proposal in helping homeless persons attain independent living; the need for housing and supportive services in the areas to be served; and other factors that the Secretary believes to be important.

Section 424(c)—requires recipients of assistance to agree: to operate transitional housing and limit the stay of residents to a period established by the Secretary; to conduct an assessment of the supportive services required by such residents; to employ a full-time residential manager; to use the structure as housing for homeless persons for not less than five years; to report the progress of homeless persons assisted; and to comply with other requirements set down by the Secretary.

Section 424(d)—requires the residents in housing under this program to pay as occupant rent that amount set forth under Section 3(a) of the United States Housing Act of 1937. Under the existing statutory scheme, residents would pay the higher of: 30 percent of their monthly adjusted income (adjusted for number of people in the family, age of family members, medical expenses, and child care expenses); 10 percent of their monthly income; or, that portion of welfare assistance that is designated as housing costs by the issuing public agency.

Section 424(e)—provides that the Board shall furnish advice to the Secretary regarding the demonstration from time to time.

Section 425(a)—provides the Secretary with 180 days in which to issue guidelines regarding the demonstration.

Section 425(b)—requires the Secretary to consult with those having expertise in helping the homeless before issuing guidelines.

Section 425(c)—requires the Secretary to publish guidelines for this program annually and as they are modified in the Federal Register. The Secretary is subject to the procedural rulemaking requirements of the Administrative Procedure Act in issuing guidelines for this program.

Section 426—requires the Secretary to issue an interim report on the activities conducted under the demonstration program within 3 months after the end of fiscal year 1987, and a final report on the demonstration program within 6 months after the end of fiscal year 1988.

Section 427—allows the Secretary to spend up to $10 million on this demonstration program in fiscal year 1987. The Committee intends to provide the Secretary with flexibility to determine the best size for this demonstration program while ensuring that there is an improved federal response to the problem of homelessness.

Subtitle D—Emergency Shelter Grants Program

Section 431—establishes an Emergency Shelter Grants Program under the Secretary. Grants may be made to States, units of local government, and non-profit organizations.

Section 432(a)—requires the Secretary to allocate grants to States, metropolitan cities, and urban counties under the same formula as is used for the Community Development Block Grant (CDBG) Program.

Section 432(b)—provides that, when using the allocation formula, if a metropolitan city or urban county would receive less than $30,000 in any given fiscal years, the grant would instead be reallocated to the State where the city or county is located. The Committee does not intend that the funds allocated to the State be distributed in the same manner as the Community Development Block Grant Program. The State may distribute these funds to any community in the State and the amount allocated to the State shall be available for use in both CDBG entitlement and nonentitlement communities.

Section 432(c)—allows units of local government to distribute all or part of their grants to non-profit organizations that help homeless persons.

Section 432(d)—provides a procedure for reallocating unused emergency shelter grants. The Secretary is required to reallocate unused or returned funds twice each fiscal year. The funds will be reallocated to local government demonstrating extraordinary need or large numbers of homeless individuals, to private non-profit organizations, to meet other needs consistent with the Emergency Shelter Grant Program.

Section 433—Eligible activities under Section 433 include: renovation, major rehabilitation, or conversion of buildings to be used for shelters; providing essential services if the local government has not provided the services within the last 12 month period and not more than 15 percent of a grant is used for services; and, paying for maintenance, operation (other than staff), insurance, utilities, and furnishing.

Section 434(a)—requires the Secretary to apprise States, metropolitan cities and urban counties that they are eligible for an Emergency Shelter Grant. These government entities then must submit a plan to the Secretary describing the proposed use of such assistance. If the plan complies with statutory requirements, the Secretary is to release the grant within 60 days of receiving the plan. The Committee does not intend the plans submitted by States and communities to be highly detailed.

Section 434(b)—requires each grantee to match the amount of their Emergency Shelter Grant with an equal amount of funds from another source. The grantee must certify compliance with the matching requirement. For purposes of determining the matching amount, the grantee may include the value of donated materials and buildings, the value of leasing a building, salary paid to staff to run a shelter program, and the value of time and services contributed by volunteers.

Section 434(c)—requires each grantee to act as the fiscal agent of the Secretary.

Section 434(d)—requires grantees to certify that: it will maintain any building receiving assistance as a shelter for the homeless for at least a three-year period and, if the assistance is used for major rehabilitation or conversion, that the building will be used as a shelter for 10 years; any renovation done with Emergency Shelter

Grants will make a building safe and sanitary; and, it will assist homeless persons in receiving supportive services and other government assistance.

Section 435(a)—requires the Secretary to issue by notice requirements governing this program within 60 days. In issuing requirements, the Secretary is subject to the Administrative Procedure Act. The Secretary is to issue requirements based on the initial notice within 12 months following enactment of this Act. The Committee clearly intends that the program not be delayed while regulations are being developed.

Section 435(b)—requires the Secretary to notify potential grantees that they are eligible for a direct grant within 60 days of enactment of a law providing appropriations to carry out the Emergency Shelter Grants Program.

Section 436—provides an authorization of $50 million to carry out both the Emergency Shelter Grant and the Transitional Housing Demonstration Program. Under Subtitle C, up to $10 million of this authorization may be used for the Transitional Housing Demonstration Program.

TITLE V—NEHEMIAH HOUSING OPPORTUNITY GRANTS

Title V of the bill establishes a new housing assistance program which authorizes the Secretary of HUD to make grants to non-profit corporations for non-interest bearing second mortgage loans to median income families for purchasing newly constructed or substantially rehabilitated homes. The maximum loan per home is limited to $15,000 and beneficiaries must contribute at least a ten percent down payment.

Section 501—sets forth the purpose of this new program as one to encourage homeownership by those otherwise unable to afford homeownership, to rebuild depressed areas and reestablish neighborhoods, and to increase employment of eligible neighborhood residents.

Section 502—establishes the following definitions which apply to this program:

"Fund" means the Nehemiah Housing Opportunity Fund;

"Home" means any 1–4 family dwelling and includes dwelling units in condominium projects, cooperatives, townhouses or manufactured homes;

"Lower Income Families" is defined to be consistent with the similar term used in the Housing Act of 1937;

"Metropolitan Statistical Area" means an area so defined by the Office of Management and Budget;

"Non-profit Organization" means a private non-profit corporation, or other private non-profit legal entity that is approved by the Secretary as to financial responsibility;

"Secretary" means the Secretary of Housing and Urban Development;

"State" means each of the fifty states, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States:

"Substantial Rehabilitation" means rehabilitation in excess of 60 percent of the maximum sale price of a home or the rehabilitation of a vacant or uninhabitable structure;

"Unit of General or Local Government" means any borough, city, county, parish, town, township, village, or other general purpose political subdivision.

Section 503—authorizes the Secretary to provide assistance to non-profit organizations in the form of grants and applications shall be made in such form and in accordance with procedures prescribed by the Secretary.

Section 504—establishes that any non-profit organization receiving assistance shall provide loans to families purchasing homes newly constructed or substantially rehabilitated. Each loan shall not exceed $15,000, bear no interest, and be repayable to the Secretary upon the sale or other transfer of the property.

Section 505—establishes the following program requirements:

Assistance may only be provided in conjunction with the Nehemiah Housing Opportunity Program;

Each qualifying family must have an income which is not higher than the greater of 115 percent of median area income for a family of four or the national median income for a family of four. Additionally, a family may not have owned a home for three years preceding such a purchase under this program;

Each family purchasing a home under this program shall make a downpayment of at least 10 percent. Any downpayment made under this section shall accrue interest from the time it is made until the time of settlement, at a rate that is not less than on passbook accounts and shall be payable to the non-profit organization sponsoring the families home purchase; and

No family purchasing a home under this title is allowed to lease the home.

Section 506—establishes certain criteria that must be met prior to receiving assistance. These criteria are:

Local consultation and support for any proposed Nehemiah program must be demonstrated to the satisfaction of the Secretary, including input from residents of the neighborhood and approval from each pertinent unit of general local government;

Each non-profit organization must submit an estimated schedule of completion of its proposed program;

Each non-profit organization receiving assistance may not commence any construction or rehabilitation until at least 25 percent of the proposed units are contracted for sale and the required downpayments are made;

No assistance may be provided to any non-profit organization unless it has demonstrated the financial feasibility of its proposed project, including the availability of non-federal public and private funding;

Homes constructed or substantially rehabilitated under this program to achieve neighborhood improvement goals each local program must have at least 50 homes, 0.25 percent of the existing dwelling units in a community, or 250 homes whichever is fewer. Any unit constructed or substantially rehabilitated under this program must comply with applicable local building

codes or in their absence, a nationally recognized model building code mutally agreed upon by the non-profit sponsor and the Secretary. In the case of a manufactured home, the standards prescribed under Title VI of the Housing and Community Development Act of 1974 and the installation, structural, and site requirements applicable under Title II of the National Housing Act do apply. Energy performance requirements established under Section 526 of the National Housing Act, or in the case of manufactured housing, the energy conservation requirements prescribed under Section 203(b) of the National Housing Act are applicable to homes constructed or substantially rehabilitated under this program. Additionally, all eligible homes will be located in neighborhoods where the median family income is not more than 80 percent of the median income of the area in which the program is to be located as such income is determined under Section 8 of the United States Housing act of 1937. All eligible homes under this program will be concentrated in a single neighborhood and located on contiguous parcels of land, unless the unit of general local government certifies that such land is unavailable in which case the program must cover at least 20 percent of the homes in an identifiable neighborhood. Finally, sales contracts entered into under this program will contain provisions requiring repayment upon sale or transfer of the home involved, unless otherwise stipulated by the Secretary.

Section 507—establishes grant selection criteria for the Secretary to take into consideration when selecting programs for assistance. These selection criteria are to the extent which:

Non-federal public or private entities will contribute land necessary to make each program feasible;

Non-federal public and private financial or other contributions (including tax abatements, waivers of fees related to development, waivers of construction, development, or zoning requirements, and direct financial contributions) will reduce the cost of eligible homes under this program;

Each proposed program will produce the greatest number of units for the least amount of assistance provided, taking into consideration cost variances in different market areas;

Each program is located in a neighborhood of severe physical and economic blight as determined by the Secretary;

Each program employs construction methods which reduce the unit cost of construction below the average in the area involved; and

Each program provides for the involvement of local residents in the planning, construction, or rehabilitation of eligible homes. Additionally, under this section, the Secretary shall require that the preponderance, or majority of funds made available for assistance under this program shall be available to assist only those families whose incomes do not exceed 95 percent of the higher of area median income or national median income. In the event that non-federal public entities are prohibited by the law of any state from making any form of contribution described above, the Secretary shall not consider such form of contributions in evaluating such programs.

Section 508—directs the Secretary of HUD to reserve sufficient amounts in the Nehemiah Housing Opportunity Fund for any Nehemiah housing opportunity program which is selected. Should any home constructed or substantially rehabilitated under this program be sold, the Secretary shall provide to the non-profit sponsor an amount equal to the amount of the loan made to the family purchasing the home. This amount shall not exceed $15,000 and shall be provided not more than 30 days after the sale of such home.

Section 509—establishes the Nehemiah Housing Opportunity Fund, a revolving fund available to the Secretary to carry out the purposes of this new program. The Fund shall consist of any amount appropriated under Section 512, any amount received by the Secretary from the repayments of loans under Section 504(b)(4), or any interest received on investments of funds determined by the Secretary to be in excess of the amount currently required to carry out the provisions of this title.

Section 510—requires the Secretary to prepare and submit to Congress an annual report on the activities required under this new program. The report shall include characteristics of the families assisted under this program with respect to size, income, race, age, and sex; an analysis of the market value of homes purchased under this title in the preceding year; an analysis of the non-federal public and private financial and other contributions made during the preceding year to reduce the cost of homes assisted under each program; an analysis of the sales prices or homes under this title during the preceding year; an analysis of the amounts of the grants made to programs during the preceding year; and any recommendation of the Secretary for modifications in the program to ensure effective implementation of the program.

Section 511—authorizes the Secretary to issue such regulations as may be necessary to carry out the provisions of this title.

Section 512—authorizes appropriations at such sums as may be necessary to carry out the provisions of this title through fiscal years 1986 and 1987. Any amounts appropriated under this Section shall be deposited in the Nehemiah Housing Opportunity Fund and shall remain available until expended.

TITLE VI—FAIR HOUSING

Section 601(a)—Fair Housing Initiatives Program. This is a new Program created to allow the HUD Secretary to enter into contracts or cooperative agreements with public and private entities to carry out programs to prevent or eliminate discriminatory housing practices. These agreements would entail:

Programs to enforce title VII of the Civil Rights Act of 1968 or equivalent state laws;

Education and outrech programs to inform the public concerning civil rights laws.

Section 601(b)—At least 30 days before entering into a contract or providing a grant, HUD shall notify the House and Senate Banking Committees. Also, HUD shall report quarterly to the House and Senate Banking Committees summarizing HUD's activities under this Section.

Section 601(c)—requires HUD to issue detailed regulations under this section, and 90 days prior to publication of the regulations, the House and Senate Banking Committees shall review the regulations.

Section 601(d)—Authorization of Appropriations will be at "such sums as may be appropriated" for fiscal years 1986 and 1987. Any amounts appropirated shall remain available until expended.

Section 602—Guidelines for the funding of testing under the private enforcement initiatives program. This section allows HUD to provide, on a competitive basis, appropriated funds to non-profit organizations or other public and private entities conducting programs to eliminate discriminatory practices. This section outlines the scope of such testing, defines terms germane to testing practices, and outlines the eligible activities in which non-profit organizations may engage in conducting fair housing tests.

REGULATORY IMPACT STATEMENT

In accordance with paragraph 11 of rule XXVI of the standing Rules of the Senate, the Committee makes the following statement regarding the regulatory impact of the bill.

Enactment of the reported measure will in the aggregate reduce regulatory and administrative burdens. Two programs are not reauthorized. These are the Federal Crime Insurance Program and the section 235 Single Family Homeownership Program. Other programs are modified to take advantage of lesser regulatory requirements, such as the public housing resident management provisions. Moreover, the antifraud and abuse provision and the verification requirements for public housing and FHA will significantly contribute to the overall efficiency and effectiveness of the programs.

Although the reported bill authorizes new programs under titles IV, V, and VI, the Committee was cognizant during their design to prescribed only the minimum necessary regulatory requirements.

FISCAL IMPACT STATEMENT

The Congressional Budget Office was not able to provide a cost estimate for this legislation in time for publication of this report.

CHANGES IN EXISTING LAW

The Committee has determined that it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of Rule XXVI, paragraph 12, of the rules of the Senate, with respect to this legislation.

DISSENTING VIEWS OF SENATORS WILLIAM ARMSTRONG AND PHIL GRAMM

We object!

This bill reauthorizes dozens of programs administered by the Department of Housing and Urban Development and rural housing programs run by the Farmers Home Administration . . . programs which contain objectionable provisions and which need to be amended or deleted. There are several major problems with this bill.

FHA EXTENSION

This bill is before the Senate largely because of the need to extend the Federal Housing Administration's mortgage insurance program. FHA's authority to insure mortgages will expire on June 6. When that happens, first time homebuyers will be unable to even apply for mortgage insurance protection from FHA. Those seeking to refinance existing mortgages will also be unable to do so until the FHA is extended. Homebuyers and sellers relying on FHA will face needless delays and uncertainty because the Congress has failed to act.

This circumstance is not new and is no accident. It has happened several times before throughout the past year because proponents of a housing authorization bill have planned it that way. On its own, Congress would reauthorize the FHA program for a year and perhaps longer. But it has been held hostage by those seeking billions more for subsidized housing and other local development programs.

We believe the Senate should put an end to such shenanigans. The Senate need not swallow billions in unjustified new housing programs in order to extend a worthwhile program that is useful to many homebuyers.

It is unlikely Congress will enact a housing authorization by June 6th, so the Banking Committee reported a clean extension of the FHA through FY87. The Senate should proceed expeditiously to enact this clean extension since debate on the underlying housing authorization could take several weeks to complete.

"SUCH SUMS" AUTHORIZATIONS

The bill as reported reauthorizes dozens of programs at unspecified levels of budget authority. These programs would be reauthorized at "such sums as necessary" as determined by the Appropriations Committee.

This is an unwise practice for any authorizing committee. Authorizing committees have the responsibility to determine how much should be spent on programs within their jurisdiction or whether certain programs should be funded at all. At the very

least, committees should set the outer limits on budget authority that may be actually appropriated. To simply punt the matter over to the Appropriations Committee is an abdication of jurisdiction. Unless specified levels of budget authority are added on the floor, the Senate will be asked to legislate in the dark.

Just what the precise numbers are behind the "such sums" authorizations should be of interest to the Senate. Preliminary estimates by the Office of Management and Budget indicate that this bill would cost $21.5 billion in new budget authority in FY87. That's $4 billion more than the Senate-passed budget resolution and $15 billion more than requested by the President. Over the FY87-91 period, this bill authorizes $77 billion more in budget authority than requested by the President and $36 billion more than assumed in the Senate-passed budget resolution.

SUBSIDIZED HOUSING PROGRAMS

Among the programs reauthorized in this legislation are additional sums for HUD and rural subsidized housing programs. Last year, Congress appropriated $11.4 billion for these programs. The Budget Resolution passed by the Senate earlier this year assumed $9.5 billion for HUD and rural subsidized housing. So it is likely that the authorization contained in this bill for subsidized housing will be near these totals.

In our view, no additional budget authority is needed for subsidized housing in FY87 and a one-year freeze on new budget authority should be imposed. On the surface, this may seem like a drastic proposal which would deny housing aid to needy Americans. But because of the nature of Federal subsidized housing programs, this is simply not the case.

By the end of 1985, the Federal Government was subsidizing 5.4 million units—housing over 16 million people. 4.1 milion are HUD subsidized units and 1.5 million are rural housing units. Between 1980 and 1985, 1,226,000 new units of subsidized housing were provided: 980,000 HUD units and 246,000 rural housing units. Each year, approximately 15 percent of existing units turnover and becoe available for new tenants. In sum, a large supply of subsidized units already exists to help house those in need.

Congress has also already appropriated literally hundreds of billions of dollars to subsidized additional units which will be spent in FY87 and beyond. Since 1937, Congress has committed $400 billion to HUD and rural subsidized housing programs. Of this total, some $150 billion has actually been spent—leaving at least $249 billion already committed to be spent in the future.

Consider that fact for a moment: Congress has already appropriated $249 billion to provide subsidized housing assistance that has yet to be spent. Even if Congress failed to appropriate one additional dime in new budget authority another 200,000 HUD units are in the pipeline and will become eligible for subsidy.

The backlog in prior obligations is so large that Congress can afford to stop providing new BA for just a year while the benefit of newly available units would still exist. Under current fiscal conditions, such a move makes good sense. The deficit can be reduced and assistance can still be provided to thousands of Americans in

need of housing. There aren't too many ways to cut spending for which the same can be said.

A freeze in new budget authority is a sensible and prudent proposal in light of continued increases in outlays for subsidized housing. Since 1962, the Federal Government has spent $102 billion on HUD and rural housing. Since 1979, total housing outlays have increased from $7.8 billion to $14.2 billion in 1984—an increase of $6.4 billion.

HUD subsidized housing outlays increased $5.5 billion from 980 to 1985—an increase of over 100 percent in five years even with reductions that have been made under this Administration. Again, this is due to the fact that previously authorized funds continue to spend out slowly on new units each year.

Under CBOs baseline budget projections, HUD subsidized housing outlays will total $35.5 billion over the next three years. Total HUD and rural housing outlays will approach $100 billion over the next six years.

To effectively reduce deficits, Congress must deal with outlay increases caused each year by long-term commitments of budget authority. Freezing new budget authority for subsidized housing will save billions over several years—something Congress must have to balance the budget by 1991 under the Gramm-Rudman-Hollings Act—while continuing to provide the goods to those in need.

UDAG REAUTHORIZATION

This legislation also reauthorizes the Urban Development Action Grant program which the Administration has proposed to eliminate. UDAG is a popular program, and no wonder. Whenever somebody gets money from the Federal Government for some endeaver, that program is popular and efforts to end it are unpopular. That's no mystery.

But our nation continues to confront a massive deficit. In the current fiscal year, the Federal Government will spend over $200 billion more than revenues. With any luck, the deficit will be lowered to "only" $144 billion if Gramm-Rudman is adhered to in FY87.

Surely Congress can begin to set priorities in its budget and reduce those expenditures of low priority for the nation. UDAG is a program which serves no national purpose and it's continued existence simply cannot be justified any longer.

Billions in UDAG grants have been allocated to local commercial development projects such as hotels, shopping centers, office buildings, parking lots, recreational facilities and restaurants. UDAGs have funded such social amenities as:

A $3 million Michigan marina, boatyard, restaurant, 16 condominiums and 200 "dockominiums" in the Black River.

A $600,000 grant to ski resorts to help build hotel facilities for these upperclass resorts.

A grant went to help finance a 20-acre theme park and "waterplay park" at Niagra Falls.

Other grants helped pay for a horse arena, a new carwash, and creating a parklike atmosphere for the world headquarters for one of the nation's largest corporations.

UDAGs have helped build 12 Hiltons, 6 Hyatts, 6 Holiday Inns, 5 Marriotts and 4 Sheratons. Hotels are indeed a wonderful thing and a boon to communities. But is a small Federal UDAG grant needed by these corporations to build? No. Should the government give them millions of dollars even if it was needed? Not in light of today's deficit crisis.

Moreover, the notion that UDAGs help create economic development is simply wrong. At best, UDAGs affect where such development will take place. Through UDAGs the Federal Government injects itself into intense competition between communities fighting for local development projects. UDAGs help one locality private jobs from neighbors, and displace local responsibility and control over local economic conditions.

The bottom line is this: it makes no sense to raise taxes on working Americans to continue a program which funnels money to large commercial developers for projects which, while beneficial to some communities, cannot be justified as national priority. If Congress is serious about eliminating deficits, it ought to finally recognize this fact.

NEW NEHEMIAH PROGRAM

Finally, the bill establishes a new "Nehemiah" program which would authorize the Secretary of HUD to provide grants for interest-free second mortgages for single family homes. The maximum grant would be $15,000 per home.

The program is designed to promote the development of single family homes in clusters ranging from 50 to 250 for moderate-income homebuyers. Projects must be located in a census tract where the median income is 80% of the area median and must be in a neighborhood with severe physical and economic blight. The program envisions that land and other financial aid would be contributed by public and private entities.

While the preponderance of Nehemiah grants would have to go to families with incomes below 90% of the area median, families earning up to 115% of the area median for a family of four or 115% of the national median for a family of four would be eligible for grants under the program.

The Problems with this proposed program are obvious. Aside from the fact that the Federal Government has no money to start any new housing programs, this program will benefit moderate-income homebuyers and would largely preclude participation by low income individuals in need of housing. It thus embodies precisely the opposite principles that Federal housing programs should adhere to.

Individuals earning 115% of the national median income ($27,500) or local median income are eligible to participate. In Colorado, 115% of the median income is $33,350. In the metropolitian Denver area, 115% of the median income is $35,190.

115% of the median income in selected other cities is a follows:

Boston	$39,100
Detroit	37,375
Baltimore	36,110
Chicago	39,790

The is little justification for a new housing subsidy for moderate income families making this kind of money, particularly under current fiscal conditions. Indeed, this program seems perfectly suited for young, upwardly mobil professionals in urban areas who are willing to relocate in an previously blighted on the rebound. The possiblity that well-off individuals will end up displacing less fortunate families is quite real.

Other provisions of the program make it largely unavailable for low income individuals. First, a 10% required downpayment would simply be unaffordable by most poor families—particularly those below 50% of median income. Second, because the program would not allow construction to being until 25% of project homes have been contracted for an downpayments have been received, individuals must be capable of tying up a large sum of money for perhaps as long as a year. Poor families obviously cannot do this.

HUD has conducted a lengthy study of a similar Nehemiah program that has been undertaken in Brooklyn, New York—without Federal assistance. The New York program has been in large measure a success and a good example of the potential of local governments working together with private individuals to redevelop a blighted urban area.

But after surveying economists in its 10 field offices, HUD has concluded that the conditions which made the project a success in New York either do not exist elsewhere or cannot be achieved by this legislation. First, a major reason for the success in New York was that enough land was available to build 1,250 homes, the number planned for the New York project. As entire self-contained community is being established, an entire previously undesirable neighborhood is in the process of being recreated.

But this legislation waters down the project requirement to 250 homes in most communities and 50 small communities on contiguous land or covering 20% of lots in a single neighborhood. This makes it unlikely that the Federal effort would serve the same purpose as the New York effort; namely revitalizing a large impoverished neighborhood. HUD believes the proposal in this bill is inadequate for neighborhood redevelopment and will only provide subsidies for moderate income families for single family homes scattered about our cities and towns.

Requiring larger blocks of homes to be built wouldn't work either because, with the exception of a few big cities, most cities do not have available large tracts of land to build such a huge housing development. Regional HUD economists reported that, in the main, space existed for small single-family housing developments—even smaller than proposed in this Nehemiah program. HUD found that the market for large Nehemiah-type developments for moderate income buyers was "soft" at best in many areas.

In sum, this program is designed poorly to address the need for housing low income Americans. Before rushing to pass this legislation, Congress should carefully evaluate whether this program will help the poorest and most needy, or whether it will simply provide another subsidy to middle-income homebuyers. We are deeply concerned that the latter would result.

CONCLUSION

There are other provisions in this bill which are of concern which deserve a full hearing when the bill comes before the Senate. We believe that a long and through debate on this measure is necessary before the Senate proceeds to its adoption. We also believe the bill is in substantial need of amending to address its deficiencies. As Congress implements Gramm-Rudman-Hollings, there are few better places to start setting priorities than in this legislation.

WILLIAM L. ARMSTRONG.
PHIL GRAMM.

ADDITIONAL VIEWS OF SENATOR WILLIAM ARMSTRONG ON RESIDENT MANAGEMENT PROPOSAL

This bill does include a section on public housing resident management that I strongly support and have worked for its success. I believe it is a worthwhile concept that not only revitalizes public communities but is the phoenix for building self-sufficiency in poor communities. However, the present language needs to be improved upon by waiving the HUD requirements of Section 12 of the Housing Act of 1937.

The Kenilworth-Parkside Resident Management Corporation in Washington, D.C. has been functioning successfully since 1982. For example:

Teenage pregnancies were reduced 50 percent.

Welfare dependency was reduced 50 percent. Income from *work* increased by 27 percent. One quarter of the 353 families studied went completely off welfare, and those families that were completely dependent decreased by 50 percent.

Crime was reduced 75 percent.

Recent receipts increased 130 percent—from $36,000 per month to $83,000 per month.

Administrative costs were reduced 64 percent the first year and 60 percent the second year.

The Kenilworth project is now generating enough revenue to pay all of its operating expenses and 90 percent of its energy costs.

These dramatic results were caused in part by establishing an environment for achievement, hope, and high standards; and by overcoming the belief that poor people don't have the ability or authority to help themselves.

An important contributor to the aforementioned results at Kenilworth is the graduated performance system; whereby, tenants are hired at wages below the prevailing wage rate and moved up incrementally based on performance and budget requirements. This does two significant things: 1) employed tenants know that only proficiency will be rewarded not mediocrity, and 2) Kenilworth will operate within its operating budget based on rental income and not subsidies. This standard of performance overlaps into all phases of community living impacting such things as teenage pregnancy and hereditary dependency.

Recently, Kenilworth was contacted by the D.C. Department of Housing and Community Development and given an ultimatum to pay prevailing wages retroactive to October, 1985 or else risk receiving its payroll for tenant employees. If prevailing wag applied, the personnel operating budget would have been i by 33 percent or $120,000. The Department of Housing and munity Development offered to provide $120,000 in taxpayer a subsidy.

However, the Kenilworth Resident Management Corporation believes this to be a misuse of taxpayer dollars and a means to remove an incentive system built on graduated performance that rewards proficiency and not mediocrity. It probably sounds as if I am condemning the Department of Housing and Community Development for its insensitivity, but I understand that the Department is merely doing its job as defined by statute and HUD regulations. Consequently, as responsible lawmakers it is up to us to waive requirements that unnecessarily increase costs, restrict income, and deflate the overall outcome of the resident management concept. Otherwise we will have missed the mark in implementing an excellent new idea.

WILLIAM ARMSTRONG.

ADDITIONAL VIEWS OF SENATORS HEINZ, D'AMATO, CRANSTON, RIEGLE, SARBANES, DODD, DIXON, AND SASSER

The Committee is reporting a bill that makes prudent and necessary amendments to housing and community development law. We believe that full Senate action on the Committee bill is especially important because it offers the first opportunity in three years for the Congress to set the direction of housing and development policies that directly affect the lives of people in virtually every American community.

As many of our colleagues are aware, key provisions of the Committee bill were hammered out in negotiations that involved numerous Senators and Members of Congress over many months. This truly is a bipartisan bill developed in a spirit of cooperation and sensitivity to the needs of different regions of the country.

It is a modest bill. Although it does not specify authorization ceilings, it was the Committee's clear intent that funding for these activities be fully consistent with the Congressional Budget, which is still not completed as this bill is reported.

Three provisions of the bill deserve special comment.

HOUSING FINANCE

We are very pleased by the strong resurgence of home purchasing and refinance by American families in recent months, and we know that Federal housing policy has contributed importantly through the activity of special purpose institutions, such as the FHA, VA, Ginnie Mae, Fannie Mae and Freddie Mac.

We have been keenly concerned that the housing markets have been subjected to needless uncertainty and interruption because Congress has relied on a series of short term extensions of authority. The Committee bill would end recent stop and go treatment by assuring FHA authority through the end of Fiscal Year 1987.

The bill would also end confusion caused by speculation about Congressional intent regarding proposed new fees on the activities of housing finance agencies. The Committee bill would prohibit these fees, which would in effect be a tax on homeownership. The bill thus implements decisions made earlier by both Houses of Congress.

UDAG SELECTION SYSTEM

We have strongly supported UDAG as an important, proven program that has enabled distressed communities—through private-public partnerships—to strengthen their local economies and employment bases. From its inception, the program has earned bipartisan support from all parts of the country.

We are convinced that the Committee bill provides a practical, fair solution to the problems in the current project selection system. It would significantly strengthen the UDAG program, improve local negotiations and give all eligible cities a fair chance to have meritorious projects approved for funding.

The bill would retain important aspects of the UDAG program that have made it so successful, such as the national competition and targeting on the most distressed cities.

The bill would refine project specific measures and give more recognition to the degree to which projects help relieve the economic distress of a distressed community by: bringing new capital into the local economy, improving housing or employment in a city's more distressed neighborhoods and retaining jobs.

Extra consideration would be given to help communities that have been placed at a disadvantage by the current project selection system.

This compromise solution has won broad support from communities in all parts of the country and from Members of Congress of both parties. It deserves to be enacted soon so that its benefits can be offered to applications now pending or being developed.

ASSISTANCE TO THE HOMELESS

The Committee bill takes an important step in authorizing a shelter program for the homeless. The Federal Government has partially met the needs of the homeless through five separate appropriations totalling $250 million since 1983.

The program, currently operated by the Federal Emergency Management Agency and the Emergency Food and Shelter Program National Board, has distributed grants to 9,000 agencies in 1,500 communities. They have provided 200 million meals at an average cost of $2.25. They have had to turn away many homeless and hungry people because resources were depleted.

The Committee developed this legislation through full discussions with the Board. The Committee has recognized the need for continuity of Federal commitment so that local service providers can plan more effectively. The two year authorization in the Committee bill would provide this needed continuity.

Homeless people have needs for more than a bowl of soup and a cot. The bill includes authorization for new local initiatives to help homeless people find employment, education, permanent housing, health care and other services that can help them gain independence and stability. These demonstration programs would help develop models to be replicated across the country.

The homeless provisions of the bill were crafted with the cooperation of several members of the Committee in consultation with numerous experts who have had experience with operating the program in recent years. This bill would establish a solid, supportive role for the Federal Government to support assistance that is a major responsibility of all segments of our national society.

We commend the cooperative spirit in which this bill was developed. We believe it is important that the full Senate have an early opportunity to act on it favorably.

JOHN HEINZ.
AL D'AMATO.
ALAN CRANSTON.
DONALD RIEGLE.
PAUL SARBANES.
CHRIS DODD.
ALAN J. DIXON.
JIM SASSER.

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